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FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

ADMINISTRATIVE AND BUDGETARY ASPECTS OF THE FINANCING OF THE UNITED NATIONS PEACE-KEEPING OPERATIONS: FINANCING OF THE UNITED NATIONS PEACE-KEEPING OPERATIONS

Management of peace-keeping assets: surplus asset storage facilities and mission start-up kits

Management of peace-keeping assets: surplus asset storage facilities and mission start-up kits at the United Nations Logistics Base, Brindisi

Management of peace-keeping assets: policy, technique and accounting issues

Inventory control system for non-expendable property at Headquarters

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the reports of the Secretary-General on the above subjects contained in documents A/49/936, A/50/907, A/50/965 and A/C.5/50/51. During its consideration of the reports, the Advisory Committee met with representatives of the Secretary-General, who provided clarifications and additional information.

2. The Advisory Committee points out that the four reports presented by the Secretary-General relate essentially to the same subject, complement each other and should be read in conjunction with each other. Having been prepared in different offices, the reports reflect, in the view of the Committee, a compartmentalized approach to the matter, which has resulted in several

repetitions in the presentation of the information included in the reports. The documents also indicate the lack of a comprehensive approach in inventory and asset management. For example, paragraph 4 of the report of 29 May 1996 (A/50/965) is to a large degree a duplication of paragraph 24 of the report of 3 July 1995 (A/49/936). This could have been avoided, in the opinion of the Committee, if the Secretariat had prepared just one, or maximum two reports, on the issue under consideration.

Management of peace-keeping assets: surplus asset storage facilities and mission start-up kits at the United Nations Logistics Base, Brindisi

3. The report of the Secretary-General on surplus asset storage facilities and mission start-up kits (A/49/936) was submitted pursuant to General Assembly resolution 49/233 of 23 December 1994, which endorsed the request of the Advisory Committee for further information regarding the financial and personnel arrangements, cost parameters, legislative justification, issues of ownership and inventory control of stocked equipment, accounting procedures and alternatives for mission start-up kits, as well as the use of the Brindisi logistics base for storage and maintenance.

4. The actions the General Assembly may wish to take in respect of the report of the Secretary-General on surplus asset storage facilities and mission start-up kits (A/49/936) are outlined in paragraph 32 of the report.

5. In paragraphs 7 to 11 of his report, the Secretary-General provides background information on the creation of a revolving reserve stock of basic equipment to support United Nations peace-keeping operations. As indicated in paragraph 8, the Organization was in possession of substantial amounts of reusable and temporarily surplus equipment and supplies valued at about $100 million. An analysis of the capacity of the Organization to store the reserve stock of basic equipment in the United Nations Supply Depot in Pisa or in facilities of some longer-established missions such as the United Nations Interim Force in Lebanon (UNIFIL) and the United Nations Peace-keeping Force in Cyprus (UNFICYP) is contained in paragraph 10 of the report. The Advisory Committee concurs in the conclusion of the Secretary-General's analysis that these alternatives do not represent viable options for the purpose of maintaining the start-up kit reserves or for supervising the overall management of the Organization's surplus stock of reusable equipment for peace-keeping operations. The Committee understands that the Supply Depot in Pisa, for which the regular budget funds amounting to $1,151,900 were initially appropriated for the biennium 1996-1997, is no longer used for storage of United Nations peace-keeping assets.

6. The concept of "start-up kits" is outlined in paragraphs 12 to 17 of the report. The Advisory Committee notes from paragraph 13 that, based on the experience of mid-1993, it is the intention of the Secretariat to maintain five start-up kits for 100-person missions in reserve, preconfigured and stocked in ways to facilitate immediate packing and shipment when the need arises. Annex II to the report contains a list of the components proposed for inclusion in a mission start-up kit at an estimated total value of $3.4 million. The

Committee points out, in this connection, that the actual cost of start-up kits may vary significantly depending on the composition and condition of the available surplus assets at the Logistics Base in Brindisi. The Committee notes from paragraph 15 of the report that work is under way at present to open, inspect and inventory the containers holding surplus equipment and supplies sent to the United Nations Logistics Base in Brindisi from Somalia and Mozambique. The Committee was informed that the inventory would be completed in the near future.

7. The Advisory Committee was also informed, upon request, that it was possible to compile approximately 60 per cent of one start-up kit using the surplus equipment and supplies stored at the United Nations Logistics Base in Brindisi; the remaining 40 per cent relate mainly to accommodations and vehicles not available at the Base.

8. The Committee was informed, on request, that the estimate of inventory at the Base of $76 million was based on the original acquisition cost of items held there in late 1995. Since then, considerable inventory has been issued to existing missions or written off. It is now estimated that the current inventory does not exceed $20 million at original acquisition value. The Base is also conducting an extensive review of the remaining inventory to determine its serviceability and expected useful life. It should be noted that serviceable equipment held at the Base is often not what is required for start-up kits. For example, in late 1995, the Base held over 3,000 vehicles. Issues and write-offs have reduced that to 502 units on hand, one half of which are motorcycles and water trailers and the remainder specialist vehicles and vehicles with limited useful life. None of these is required for start-up kits. Sufficient helmets, flak jackets and photocopiers are available for five start-up kits, but only two complete communications start-up kits can be produced. It is anticipated that the remaining 40 per cent of the first kit and the four other kits could be identified from surplus serviceable stock being shipped from the liquidating missions (the United Nations Assistance Mission for Rwanda (UNAMIR) and the United Nations Peace Forces (UNPF)). Any shortfall can be met only through procurement. At the present time, it is not possible to determine the value of the items to be purchased. Further, any excess stock not needed for start-up kits will be issued to existing missions on an "as required" basis or disposed of in accordance with existing regulations, if there are no forecast requirements or if it will not be cost-effective to maintain and retain it in the inventory of the Logistics Base.

9. The mechanism for the establishment and replenishment of start-up kits, which is described in paragraphs 15 and 16 of the report, provides that usable surplus equipment and supplies will form start-up kits and any additional resources that would be required to procure any items for the kits not available through surplus would be financed from the budgets of current and new peace-keeping operations; once the stock of start-up kits has been established, it will be maintained by replenishment from the budgets of those missions which have received the kits. The Advisory Committee agrees with the proposed mechanism for the establishment and replenishment of start-up kits. At the same time, the Committee trusts that the proposals made by the Secretary-General on procedures and guidelines for the transfer of equipment and supplies from peace-keeping missions to the Logistics Base in Brindisi would ensure, when

implemented, that only serviceable equipment and usable supplies are stored at the Base (see also paras. 34 and 35 below).

10. Paragraphs 18 to 31 of the report contain information relating to the establishment, functions and administration of the United Nations Logistics Base in Brindisi. It is recalled that the General Assembly, in section XIV of its resolution 49/233, welcomed the establishment at Brindisi, Italy, of the first permanent United Nations logistics base to support peace-keeping operations, the premises of which had been put at the disposal of the Organization at no cost.

11. The Advisory Committee notes that during the period from 23 November 1994 to 31 December 1995 a total of $3,208,000 was expended on the Logistics Base from the budgets of UNPF ($2,778,000), the United Nations Operation in Somalia (UNOSOM) ($200,000), the United Nations Operation in Mozambique (ONUMOZ) ($140,000) and the United Nations Angola Verification Mission (UNAVEM) ($90,000). The Committee regrets that a report has not been submitted until now by the Secretariat with proposals on the funding and administration of the Base. The Committee trusts that such lapses in budgetary procedure will not recur in future.

12. Expenses related to the Logistics Base cover, as stated in paragraph 20 of the report, utilities, alterations to premises to suit United Nations purposes, a modest maintenance charge by the Government of Italy, maintenance of premises used exclusively by the United Nations, costs of handling, refurbishing and shipping United Nations assets and the staff to manage the operation.

13. The principal functions to be served by the Base, as outlined in paragraph 22 of the report, consist mainly of the following: (a) to receive, inspect, repair as necessary and store surplus assets from closing or downsizing peace-keeping operations; and (b) to maintain a reserve of equipment and supplies (drawn initially from available surplus assets) in the form of mission start-up kits. The Advisory Committee points out that one of the principal functions stated in the report, namely that of a "rear logistics" base for UNPF in the former Yugoslavia, is no longer performed by the United Nations Logistics Base.

14. The Advisory Committee notes from paragraphs 23 and 24 of the report that the Logistics Base will be performing a central coordinating activity and a broad oversight and control function for the assets of peace-keeping operations in general. The Committee was informed that even when the functions of central coordination, broad oversight and control of assets of peace-keeping operations were assigned to the Base, overall administrative control and responsibility for the movement of such assets would remain with Headquarters in New York. Inventories of the individual missions will be electronically linked to the Logistics Base master inventory, which will reflect the quantity, location and condition of all equipment and supplies, along with the availability of any surplus for further reissue. The Advisory Committee understands that for these functions to be successfully implemented by the Logistics Base, the Organization will have to purchase and install sophisticated data-processing equipment.

15. The Advisory Committee notes from paragraph 26 of the report that the activities of the United Nations Logistics Base will require some flexibility

and adaptability to changing requirements, depending on the status of active peace-keeping operations, and that the size of the Base staff and budget may have to expand, including resort to contractual services, to meet the increased demands at times when missions are starting or demobilizing. The Committee agrees with such an approach.

16. With regard to the planned provision of office and storage facilities for mission start-up or demobilization teams referred to in paragraph 26 of the report, the Advisory Committee was informed, upon request, that additional support staff required to perform the "surge" activities related to the deployment of newly established missions or liquidation of completed ones could be provided offices and storage facilities at the United Nations Logistics Base on an "as required" basis.

17. The Advisory Committee shares the concern expressed in paragraph 28 of the report that as some of the large missions close, the Organization may be placed in a situation where it must arrange for storage and maintenance of a far larger quantity of assets than may reasonably be required to support ongoing or future missions. The Committee concurs with the Secretary-General that it may be necessary to establish standards for the maximum levels of stocks to be retained and that it may also prove beneficial to delineate standards for the quality of assets to be retained for future use, so as to enable local disposal of substandard equipment and preclude shipment to the United Nations Logistics Base. The Committee recommends, therefore, that such standards be established expeditiously and reflected in the next budget submission for the Logistics Base. The Committee also recommends that a cost-benefit analysis be carried out regarding the operation of the Base, taking into account the total value of assets managed by it and other services it is rendering to the United Nations. The Secretary-General should report to the General Assembly in this regard as soon as possible.

18. The report of the Secretary-General of 1 April 1996 (A/50/907) contains the budget and long-term financing arrangements for the United Nations Logistics Base; as reflected in paragraph 5, since the signing of the memorandum of understanding on 23 November 1994, the financing of the Base has been met on an ad hoc basis and from within the existing peace-keeping operations budgets, primarily UNPF, for which the Base provided rear logistics support. Expenditures in the amount of $3.2 million were incurred to cover the start-up costs for the period from 23 November 1994 to 31 December 1995. Those expenditures were reflected in performance reports for UNPF (A/50/696 and A/50/696/Add.2) and UNOSOM (A/50/741) and will be reflected in the performance reports for ONUMOZ and UNAVEM to be issued later in 1996.

19. The cost of maintaining the United Nations Logistics Base for the six-month period from 1 January to 30 June 1996 is estimated at $4.1 million gross, as reflected in paragraph 6 of the report (A/50/907). Annex I to the report provides a breakdown of the cost estimates by object of expenditure. The Advisory Committee notes from paragraph 7 of the report the proposed conversion of the essential staffing requirements from general temporary assistance to mission posts. The Committee was informed, upon inquiry, that from its inception the Base had been operating on an ad hoc basis with up to 38 staff funded from general temporary assistance. The Secretary-General is now

proposing to establish 33 posts for the core staff required to administer the Base. The Committee has no objection to this proposal.

20. The Advisory Committee notes from paragraph 11 of the Secretary-General's report that it is proposed that the same ad hoc arrangements in place since inception be continued through 30 June 1996 and that the expenditures will be included in the performance reports of each mission. The Committee recommends that the General Assembly take note of the extension of the ad hoc arrangement for the financing of the Base throughout the period ending on 30 June 1996.

21. The cost estimates for the maintenance of the Base during the 12-month period from 1 July 1996 to 30 June 1997 amount to $7.9 million gross. A summary of the cost estimates and supplementary information thereon are contained in annexes I and II to the report. The cost estimates of $7.9 million gross are based on a total of 16 international and 17 local staff and include, inter alia, a provision for the payment of mission subsistence allowance to international staff; annex IV contains a breakdown of the proposed staffing table by grade and office. The Committee intends to review the number and configuration of this initial establishment on the basis of experience. In this connection, the Secretary-General is requested to review staff levels by functional requirement and report in the context of his next budget submission on the Brindisi base.

22. The Advisory Committee notes from paragraph 1 of part B, annex II, that the entitlement to mission subsistence allowance will cease with effect from the date of the reclassification of the Base as a family duty station, which should occur when the Base becomes fully operational. The Committee was informed, upon request, that for the Base to become fully operational, it should be provided with a regular rather than an ad hoc financial and administrative arrangement in the form of an approved budget and staffing structure. It is the Committee's understanding that the payment of mission subsistence allowance will cease immediately or shortly after approval of the budget by the General Assembly.

23. With regard to a provision for petrol, oil and lubricants for 64 United Nations-owned vehicles, the Committee finds the assumption of an average consumption of 20 litres per vehicle per day excessive and therefore requests the Secretary-General to look into the matter with a view to reducing the consumption of petrol, oil and lubricants by the fleet of United Nations vehicles at the Base.

24. The Committee notes from paragraph 10 of part B, annex II, that a provision of $2.8 million is made for contractual services in connection with the work involved in the receipt, sorting and refurbishment of equipment, preparation of start-up kits and inventory management. The budget submission does not contain detailed workload indicators for various types of work to be performed by contractors; the Committee recommends, therefore, that this should be reflected in the future budget proposals for the Base.

25. With regard to the mechanism of financing the United Nations Logistics Base during the period from 1 July 1996 to 30 June 1997, the Advisory Committee recommends that the General Assembly approve the cost estimates for the Base in the amount of $7,875,000 gross to be prorated among the individual peace-keeping operation budgets. However, such additional appropriation for this purpose as

may be required should be justified by the Secretary-General in the context of the performance reports of the relevant peace-keeping operations.

Management of peace-keeping assets: policy, technique and accounting issues

26. The report of the Secretary-General of 29 May 1996 on policy, technique and accounting issues (A/50/965) was submitted pursuant to General Assembly resolution 49/233, which requested the Secretary-General to report on peace-keeping operations asset management, including the feasibility of procedures for valuation and transfer of costs for assets to be redeployed from a peace-keeping operation during its liquidation phase to other peace-keeping operations or other United Nations bodies, and for reimbursement to the special account for the liquidating operation. In its resolution 50/204 C of 23 December 1995, the General Assembly requested the Secretary-General to expedite submission of the report containing, inter alia, proposals for establishing:

(a) An appropriate policy for the physical verification of all assets and liabilities of a mission in liquidation before its assets are disposed of and its liabilities discharged;

(b) Standard procedures for the transfer of assets and the acknowledgement of assets transferred to other missions and other United Nations entities;

(c) Standard procedures for the valuation of all assets of a mission in liquidation as well as an appropriate policy for the financial accounting of transfers of assets for consistent application in all peace-keeping operations.

The report of the Secretary-General also addresses issues raised by the Board of External Auditors in its report. 1/

27. The Advisory Committee notes from paragraph 2 of the Secretary-General's report that the Secretariat is developing, through practice, an assets management system that is intended to balance the requirements of preparedness with cost-effectiveness and of flexibility with full accountability; furthermore, the Committee notes therein the conclusion that the cross-referencing of the United Nations Common Coding System and the North Atlantic Treaty Organization (NATO) Codification System is essential if the United Nations is to be able to produce accounting reports of all the Organization's assets.

28. The Advisory Committee was informed that the NATO Codification System was designed for inventory control of millions of line items of equipment components and related parts for the military supply system. The System relies on an elaborate and expensive electronic data-processing infrastructure and is supported by a substantial number of highly qualified logistics and computer personnel of the NATO member countries. The Committee regrets that the report of the Secretary-General does not contain any information on the cost of introducing, administering and maintaining the System. The Committee was provided, upon request, with additional information on the System, which is reproduced as an annex to the present report.

29. The overall strategy of management of peace-keeping assets is outlined in paragraphs 3 to 8 of the report of the Secretary-General. In connection with the proposed responsibility of the Base as a centralized facility for the receipt, inspection, inventory and issue of equipment and supplies to and from missions (para. 3), the Advisory Committee understands that this responsibility will cover, at the present stage, only surplus assets from closed and/or downsized missions.

30. The Committee shares the view of the Secretary-General reflected in paragraph 5 of his report that an accurate master inventory is important not only for control of existing assets but also as an integral component of an effective procurement system; indeed, it is the most important component of such a system. The Committee also believes that it is important that inventory control start at the point of origin of the purchase, that is, with the procurement entity in the field or at Headquarters. This ensures that what is bought is identified at source and then recorded against a unique number, which can then be matched against the physical receipt and finally issued to the ultimate user. This fundamental internal control is necessary to guard against waste and loss. If the continuity of this chain is broken, it may significantly impair, in the opinion of the Committee, accountability and control over the Organization's peace-keeping assets.

31. As reflected in paragraph 7 of the report, an item codification project is currently under consideration, which would introduce a common supply language within the United Nations peace-keeping operations, based upon the NATO Codification System. The Advisory Committee points out that the report does not contain a comprehensive analysis of the existing United Nations Common Coding System, which is used not only by United Nations Headquarters and the main duty stations, but also by organizations, agencies and programmes of the United Nations system. The Committee also points out that the codes of the United Nations Common Coding System have been adopted by the United Nations automated procurement system REALITY, which will be integrated with IMIS during the current biennium.

32. Under the circumstances, the Advisory Committee is not yet convinced of the need for the development of a separate cataloguing and codification system for managing peace-keeping operations assets.

33. The Advisory Committee notes from paragraph 8 of the report that the item codification project is being undertaken on a six-month trial basis. In that connection, the Committee recommends that, before a decision is taken to utilize the NATO Codification System on a permanent basis, the results of the project be reported to the General Assembly, together with a comprehensive analysis of all possible alternatives to the development of a new codification system. The Committee also trusts that the Technological Innovations Board will play its role in reviewing the matter.

34. In paragraphs 9 to 16 of his report, the Secretary-General outlines the methodology for the accounting and transfer of peace-keeping assets, the main elements of which are as follows:

(a) Upon receipt for storage by the Logistics Base, all assets will be officially transferred from the inventory of the sending mission to the inventory of the Base;

(b) Inventory responsibility follows the physical movement of property as it is redeployed, including periods of storage for future use;

(c) Inventory is included in the financial accounts at initial purchase price, until eventual disposal;

(d) Inventory records for start-up kits deployed to a mission will be transferred to that mission and the records for the replacement equipment procured against that mission's budget will be added to the inventory of the Base;

(e) Assets will be transferred without reimbursement to the source.

The Advisory Committee concurs with the above methodology for the accounting and transfer of peace-keeping assets.

35. Paragraph 17 of the report contains a recommendation that the assets purchased for peace-keeping operations be transferred or redeployed to the United Nations Logistics Base and other field missions funded by assessed contributions with no additional cost to Member States; when such assets are disposed of or otherwise transferred by sale to activities not funded by assessment the residual value should be determined and reported to the General Assembly. Furthermore, the Secretary-General has recommended that any equipment procured by the United Nations with assessed contributions be made available (once no longer required for its original purpose) for use by any other United Nations activity funded from assessed contributions without entering into additional financial transactions, as long as that activity can demonstrate an operational need for such equipment; however, redeployments to and from activities funded from voluntary contributions would be charged at depreciated rates (para. 18). The Advisory Committee recommends that the General Assembly endorse these recommendations of the Secretary-General.

Inventory control system for non-expendable property at Headquarters

36. In its resolution 49/216 A of 23 December 1994, the General Assembly endorsed the view of the Board of Auditors contained in the report of the Board (A/49/214, annex) that the current inventory control system was deficient and unreliable, and requested the Secretary-General and the relevant executive heads of the United Nations organizations and programmes to address those issues accordingly.

37. In paragraph 2 of his report of 28 February 1996 (A/C.5/50/51), the Secretary-General identified four main concerns, as follows:

(a) Property accountability should be transferred to end-users;

(b) Correcting the deficiencies and updating inventory records will require a physical inventory of non-expendable property;

(c) The value of the cumulative inventory of non-expendable property is unreliable;

(d) The inventory controls and property records for non-expendable property are deficient and unreliable.

38. Paragraph 3 of the report provides the following definition of non-expendable property:

(a) Property or equipment valued at $1,500 or more per unit at the time of purchase and having a service life of at least five years;

(b) Special property items considered to be of an attractive nature and easily removable from premises because of their size, costing $500 or more per unit at the time of purchase and with a serviceable life of five years or more;

(c) Group inventory items with a serviceable life of five years or more irrespective of value.

39. With regard to property accountability, the Advisory Committee welcomes the intention of the Secretary-General, in accordance with the provisions of financial rules 110.25 and 110.26, to delegate to each head of department and office authority over property assigned to that department or office.

40. The Advisory Committee notes from paragraph 7 of the report that an initial comprehensive physical inventory of non-expendable property was conducted at Headquarters from June to August 1995. The Committee trusts that the exercise will be extended to United Nations offices away from Headquarters.

41. The Advisory Committee also notes that all property located at Headquarters owned or loaned to the United Nations except leased property or that which has been leased with an option to purchase has been recorded. In that connection, it was informed that the inventory included property procured by the United Nations regardless of source of funding. With regard to property leased by the United Nations with an option to purchase, the Committee was informed that procedures had been established to include such property in the inventory once the decision to exercise the option had been made.

42. In paragraph 10 of the report it is indicated that comprehensive physical inventories will be conducted by each department and office every two years. Upon inquiry, the Advisory Committee was informed that although the two-year period was not directly connected to programme budgets, it would help to determine the needs of departments when preparing their budgets. In this connection, it is the view of the Committee that the conduct of physical inventories should be used as a tool for efficient use of programme budgets and the results of such use should be reflected in the programme budgets.

43. Paragraph 11 of the report covers the value of property in the inventory. The Advisory Committee notes that while values of property in the initial

physical inventory were based on the original record where these were available, where such records were not available, estimates were made based on past experience and market costs.

44. The Advisory Committee notes from paragraph 13 of the report that property has been recorded by using the United Nations Common Coding System, the codes of which have been adopted by the United Nations automated procurement system REALITY to ensure uniform classification of commodities.

45. Paragraph 14 of the report covers guidelines and instructions on the procedures for property management and inventory control at Headquarters. Upon inquiry as to how the control system would work, the Advisory Committee was informed that the Property Management Unit in the Buildings Management Service, Office of Conference and Support Services, which is responsible for overseeing the central inventory at Headquarters, would coordinate the physical inventories conducted by departments and offices and would provide the necessary equipment, supplies, training and other information related to the physical inventory.

Notes

1/ Official Records of the General Assembly, Forty-ninth Session, Supplement No. 5 (A/49/5), vol. II.

ANNEX

Response by the Secretariat to the request by the Advisory Committee on Administrative and Budgetary Questions for additional information on management of peace-keeping assets

1. During its consideration of the Secretary-General's report on policy, technique and accounting issues of 29 May 1996 (A/50/965), the Advisory Committee on Administrative and Budgetary Questions (ACABQ) raised a number of questions relating to an asset management strategy, the development of a matériel management system and the use of NATO codification. The present paper provides responses and clarifications to the questions raised.

2. The proliferation of peace-keeping operations has highlighted the need for a comprehensive asset management system that must be capable of accounting for the numerous categories of equipment and spares used in field missions. The system presently in use in the United Nations was designed primarily for limited categories of equipment and not the full range of assets used in peace-keeping operations.

3. The report of the Secretary-General (A/50/965) is thus a response to the problem and an effort to present an asset management strategy, including proposals for the development of a materials management system, that would be capable of accounting and monitoring the huge volume and wide variety of peace-keeping assets.

4. The essential aspect of such a system, based on the principles of transparency and accountability, requires the establishment of an automated cataloguing system that would permit field missions and Headquarters to make informed decisions regarding detailed inventory management, redistribution and disposal in a timely and efficient manner based on equipment location, condition and identification. This cataloguing system must be uniform and common throughout peace-keeping operations in the manner in which it uniquely identifies, classifies and numbers each item of inventory. Each item would have a unique name (e.g. generator), a unique identification (generator, gasoline, 5.0 KVA) and a unique stock number (6115-00-017-8240). Additionally, the system would consist of a database containing information to facilitate specific item replacement as required, as well as acquisition of spare parts.

5. In the process of considering existing systems to provide this facility, the Department of Peace-keeping Operations reviewed the existing United Nations Common Coding System developed and maintained by the Inter-agency Procurement Services Office. As stated in the UNCCS Thesaurus of March 1994, this coding was developed as a practical tool for procurement and related activities to facilitate the simplification of statistical reporting and the interchange of information on the sources of supply and to develop a common vendor database of verified supply sources. It provided only generic - not unique - commodity numbers suitable for procurement only, not specific item identification for asset management. It did not support creation of a global "item-specific" inventory database since it did not meet the requirement of "one item - one

number". For example, there are thousands of generators of many different types with different technical and performance specifications in the current worldwide peace-keeping inventory. The United Nations Common Coding System allots only 13 codes for generators, providing only generic reference to a range of performance capabilities. Thus if a mission or Headquarters wished to identify mission or global holdings of 5.0 KVA gasoline generators, the System could not do so since the identification is generic. The proposed cataloguing system can be this specific. Such a specific capability is essential in determining financial estimates and in calculating asset disposal and replacement programmes.

6. In its Secretariat information paper of January 1995 on maintenance of the United Nations Common Coding System, the Inter-agency Procurement Services Office did recognize the deficiencies of the System and proposed to upgrade it at an estimated annual cost of $600,000. However, upgrading will not address the operational requirements for detailed accounting and transparency. Information would continue to remain generic in nature. These improvements do not provide for the development of what is a labour-intensive system to produce the specific and unique data necessary for a proper asset management programme. Since the Office's proposals do not cover the core requirements for peace-keeping inventory accounting, it is felt that the capital cost of developing such a system from scratch would be substantial and thus well in excess of $600,000.

7. In view of the above deficiencies, the Department of Peace-keeping Operations turned to the only other existing inventory cataloguing procedure, the NATO Codification System, which provided a capability for use in peace-keeping operations. This system provides the unique stock numbers and specific item description and technical database that could facilitate the establishment of a global inventory. It has integration capability with the existing United Nations REALITY inventory and asset control system in operation in all field missions. Of the 76 countries currently subscribing to the NATO Codification System, 29 assign their own stock numbers to the system and are using the system data for their matériel management systems; 43 are system data users and 4 have requested sponsorship within the system. The current cost to the United Nations to utilize the service of this codification system is approximately $10,000 annually, as the specialists involved in establishing the initial database are being provided free of charge.

8. The proposed use of the NATO Codification System should be viewed from the perspective of the final output likely to be achieved. The parameters requiring the development and maintenance of an effective inventory database do not offer substantively different options. A good system must have equipment details, that describe the item at the generic level, while providing information on the make, model numbers, capacity (such as kilowatts, tonnage, etc.) and volume data. Further, an inventory management system should have the ability to provide the user with the necessary information to locate it, move it and reposition it. The NATO Codification System provides all of the foregoing together with the added ability to provide the United Nations modifications for use in peace-keeping operations. Thus it makes sound economic sense at least to consider use and modification of an existing system that has already been fully developed and will not be a burden on the resources of the United Nations. This

approach is not based on any other consideration, nor would it be used in relation to United Nations procurement activities.

9. Against this background, a matériel management system is being proposed for development. This system, consisting of an initial database, will total approximately 16,000 accountable and attractive items and is forecast to be completed by July 1997. These 16,000 specific items reflect an estimated 20 per cent in quantity of the total inventory but constitute an estimated 75 per cent in value. It is estimated that after July 1997 two international Professional staff members will be required at the United Nations Logistics Base in Brindisi to maintain the existing database and to continue the cataloguing of new inventory using these procedures. To develop an entirely new cataloguing system, to be separate from the current NATO or the Inter-agency Procurement Services Office systems, meeting the specific requirements indicated in paragraph 4 above, yet remaining compatible with the existing REALITY automated inventory control systems, would require several years of labour-intensive work involving a considerable number of Professional technical personnel (with the concomitant increased costs) and would substantially delay the creation of an effective asset management system worldwide. It is not possible to provide an exact estimate of the cost of developing an entirely new cataloguing system since this would require extensive research.

10. Finally, it should be stated that this cataloguing project is designed as an asset management tool only. It is not to be used for procurement purposes. Each specific catalogue number would be cross-referenced to the generic Inter-agency Procurement Services Office number. Requisitions transmitted to the Purchase and Transportation Division and field procurement sections would reflect only the Inter-Agency Procurement Services Office number and generic specifications. In this manner the Purchase and Transportation Division or Procurement Services would arrange purchase through international bidding and prospective commercial suppliers would thus be limited only by their ability to meet Purchase and Transportation Division/Inter-agency Procurement Services Office specifications, not by any other cataloguing specification detail.